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May 7, 2013

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
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Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE – REDEVELOPMENT DISSOLUTION AND ECONOMIC DEVELOPMENT LEGISLATION OF COUNTY INTEREST

Executive Summary

This memorandum contains updates on several redevelopment dissolution and economic development bills of interest to the County. The measures would: 1) modify or clarify certain requirements of the existing redevelopment dissolution legislation (ABx1 26 and AB 1484 of 2011); or 2) would create or modify the authority for local governments to engage in economic development activities.

Status of Redevelopment Dissolution Legislation

AB 427 (Mullin), which as introduced on February 15, 2013, would have specified that a successor agency or housing successor agency may implement hazardous cleanup pursuant to the Polanco Redevelopment Act with regard to enforceable obligations, was amended on April 22, 2013. As amended, the bill now pertains to electrical corporations and the production of electricity using bottom cycle waste heat recovery, as defined. AB 427 has been referred to the Assembly Committee on Utilities and Commerce.

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AB 564 (Mullin), which as amended on March 2013, would: 1) prohibit the Department of Finance (DOF) from taking any future action to modify or reverse a successor agency's oversight board decision regarding an enforceable obligation after the effective date of the oversight board's approval; and 2) prohibit DOF from taking any future action to modify a transfer, the liquidation of properties of a former redevelopment agency, or the use of proceeds from disposition by the successor agency if that action is consistent with an approved long-range asset management plan. AB 564 passed the Assembly Housing and Community Development Committee by a vote of 7 to 0 on May 1, 2013. This measure now proceeds to the Assembly Appropriations Committee.

AB 981 (Bloom), which as introduced on February 22, 2013, would allow redevelopment successor agencies greater flexibility to use bond obligation proceeds by: 1) extending from January 1, 2011 to June 28, 2011, the date by which an entity that has assumed the housing functions in the winding down of redevelopment can designate the use of, and commit, indebtedness obligation proceeds that were issued for affordable housing purposes; and 2) allowing, upon the issuance of a finding of completion by the DOF, a successor agency to use redevelopment bond proceeds issued between January 1, 2011 and June 28, 2011, passed the Assembly Housing and Community Development Committee by a vote of 7 to 0 on May 1, 2013. This measure now proceeds to the Assembly Appropriations Committee.

AB 1320 (Bloom), which as amended on April 10, 2013, would allow schools to continue to receive property taxes, equal to the amount they would have received in pass-through payments if redevelopment agencies still existed, and would not count those property taxes toward the Proposition 98 funding formula for K-12 education, was held in the Assembly Local Government Committee at the request of the author. This measure is now a two-year bill.

SB 341 (DeSaulnier), which as amended on April 1, 2013, would affirm that funds in the Low and Moderate Income Housing Asset Fund shall be subject to the Community Redevelopment Law (CRL) and amends the CRL to: 1) allow housing successor agencies to expend available funds for the purpose of monitoring and preserving the long-term affordability of units in its portfolio and for administration costs up to an annual cap of 2 percent of its portfolio values or \$200,000 (whichever is greater); 2) allow housing successor agencies to spend up to \$250,000 per year for homeless prevention and rapid re-housing services for individuals or families who are or at risk of becoming homeless; 3) relax the limitations on senior housing; 4) allow housing successor agencies to transfer funds among themselves for the purpose of developing affordable units under certain conditions; and 5) clarify and streamline reporting requirements, among other provisions, passed the Senate Appropriations Committee by a vote of 7 to 0 on April 29, 2013. This measure now proceeds to the Senate Floor.

Status of Economic Development Legislation

AB 562 (Williams), as introduced on February 20, 2013, would require any local agency with responsibility for economic development activities to provide specified information to the public before approving any economic development subsidy, including: 1) an estimate of the total expenditure of public funds for the project or an estimate of revenue lost to the local agency; 2) a statement of the subsidy's public purpose; 3) projected tax revenue to the local agency as a result of the subsidy; 4) the estimated number of jobs to be created by the subsidy; and 5) biannual reports. This measure is scheduled for its first hearing in the Assembly Local Government Committee on May 8, 2013.

AB 750 (Garcia), which as amended on April 19, 2013, would: 1) authorize a city to dispose of real property or provide compensation to a private entity, if the legislative body of the city is presented with, or presents, substantial evidence that the disposition of the property or provision of compensation would stimulate job creation and economic development within the boundaries of the city; and 2) further provide that the disposition of real property or the provision of compensation under these circumstances would not constitute a gift of public funds. This measure is scheduled for its first hearing in the Assembly Local Government Committee on May 8, 2013.

AB 1080 (Alejo), which as amended on April 24, 2013, would authorize cities and counties, either separately or in cooperation with each other and/or special districts, to form a Community Revitalization Investment Authority (CRIA) in certain communities to carry out the Community Redevelopment Law and invest property tax increment and bond proceeds to relieve conditions of unemployment, reduce high crime rates, repair deteriorating and inadequate infrastructure, clean up brownfields, and to promote affordable housing. As previously reported, AB 1080 includes a provision that allows for the receipt of tax increment funds by the CRIA, provided that the governing body of the taxing entity has adopted a resolution authorizing the allocation of tax increment funds to the CRIA.

As amended April 24, 2013, AB 1080 includes a provision for the receipt of tax increment revenue in its financing plan that would require the Authority set aside 25 percent of the allocated tax increment revenues for affordable housing purposes (rather than 20 percent as initially introduced). The amendments also clarify that an Authority's funding shall be spent within the project area in which the tax increment funds were generated and that recipients of these funds shall comply with all applicable provisions of the CRL.

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AB 1080 passed the Assembly Local Government Committee by a vote of 8 to 0 on May 1, 2013. This measure now proceeds to the Assembly Appropriations Committee.

SB 1 (Steinberg), which as amended on May 2, 2013, would allow a local government to establish a Sustainable Communities Investment Authority and direct tax increment revenues to that authority in order to address blight by supporting development in transit priority project areas, small walkable communities, and clean energy manufacturing sites, passed the Senate Transportation Committee by a vote of 8 to 3 on April 23, 2013. This measure now proceeds to the Senate Appropriations Committee.

As previously reported, SB 1 contains a provision that requires that a local governing body approve by resolution the allocation of its tax increment to the Authority. The bill also contains a provision prohibiting a city or county from forming an authority unless it has been issued a Finding of Completion by the Department of Finance, confirming that has complied with the redevelopment dissolution legislation requirements to distribute former redevelopment agency's assets to the taxing entities.

SB 470 (Wright), which as amended on April 9, 2013, would: 1) provide that before any property that is returned to the city, county, or city and county, pursuant to the redevelopment dissolution legislation, is sold or leased for economic development purposes, the sale or lease shall first be approved by the legislative body by resolution after public hearing; and 2) authorize a city, county, or city and county to establish a program to loan funds to owners or tenants for the purpose of rehabilitating commercial buildings and structures. SB 470 passed the Senate Environmental Quality Committee by a vote of 9 to 0 on May 1, 2013. This measure now proceeds to the Senate Appropriations Committee.

We will continue to keep you advised.

WTF:RA
MR:AO:lm

c: All Department Heads
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